

C. DUKES SCOTT
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DAN F. ARNETT
CHIEF OF STAFF

December 13, 2005

VIA HAND DELIVERY

The Honorable Charles L. A. Terreni
Chief Clerk / Administrator
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, SC 29210

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SC PUBLIC SERVICE
COMMISSION

RE: Application of Utilities Services of South Carolina, Inc. for Adjustment
of Rates and Charges and Modifications to Certain Terms and Conditions
for the Provision of Water and Sewer Services
Docket No. 2005-217-WS

Dear Mr. Terreni:

Enclosed for filing on behalf of the parties of record, please find the original and 16 copies of revised pages 2-5 of, and revised Exhibits "D" and "E" to, the December 5, 2005 Settlement Agreement previously submitted by the parties of record in the above-referenced docket. The parties respectfully request that you substitute these revised pages of the Settlement Agreement and exhibits thereto for the corresponding pages and exhibits previously filed.

The revisions to the Settlement Agreement are necessary to correct an error in the calculation of the annual revenue figure agreed to by the parties. The number of \$617,064 should have been \$614,708. This figure in turn requires a revision to Exhibit "E," which is the parties' agreed upon rate schedule. The revisions to Exhibit "D" are necessary to correct the inadvertent attachment of the accounting exhibits to the pre-filed testimony of Sharon G. Scott, which reflects revenues at the **proposed rates**, as an exhibit to the Settlement Agreement. Exhibit "D" should have consisted of the accounting exhibits reflecting the effect of the agreed upon annual revenue increase. The revised version of Exhibit "D" corrects this error on the part of both parties of record.

The parties of record apologize to you and the Commission for any inconvenience or confusion that may have resulted from their error in this regard. If you have any

questions, or require additional information regarding the foregoing, please do not hesitate to contact either of us.

Sincerely,

Wendy B. Cartledge

Wendy B. Cartledge
Counsel for Office of Regulatory Staff

John M. S. Hoefer

John M. S. Hoefer
Counsel for Utilities Services of South
Carolina, Inc.

WHEREAS, ORS has audited the books and records of the Company relative to the matters raised in the Application and, in connection therewith, has requested of and received from the Company additional documentation;

WHEREAS, the Parties have varying legal positions regarding the issues in this case;

WHEREAS, the Parties have engaged in discussions to determine if a settlement of the issues would be in their best interests; and

WHEREAS, following those discussions the Parties have each determined that their interests and the public interest would be best served by stipulating to a comprehensive settlement of all issues pending in the above-captioned case under the terms and conditions set forth herein;

NOW, THEREFORE, the Parties hereby stipulate and agree to the following terms, which, if adopted by the Commission in its Order on the merits of this proceeding, will result in rates and terms and conditions of water and sewer service which are adequate, just, reasonable, nondiscriminatory, and supported by the evidence of record of this proceeding, and which will allow the Company the opportunity to earn a reasonable rate of return.

1. The Parties agree that no documentary evidence will be offered in the proceeding by the Parties other than: (1) the Application filed by the Company, (2) the exhibits to the testimony referenced in paragraph 2 hereinbelow, and (3) this Settlement Agreement with Exhibits "A"- "C" attached hereto and revised Exhibits D and E attached hereto.

2. The Parties stipulate and agree to include in the hearing record of this case the pre-filed testimony of Sharon G. Scott, Dawn M. Hipp and Bruce T. Haas (direct and rebuttal), including all exhibits attached to the pre-filed testimony, without objection, change, amendment, or cross-examination. Further, the parties agree to include in the hearing record of this case

without objection, change, amendment, or cross examination the testimony of witnesses Steven M. Lubertozzi, Converse A. Chellis, III and Dawn M. Hipp attached hereto and incorporated herein by this reference as Exhibits "A", "B" and "C".

3. The Parties stipulate and agree that the accounting exhibits prepared by ORS and attached hereto as Revised Exhibit "D" fairly and reasonably set forth the Company's operating expenses, pro forma adjustments, depreciation rates, rate base, return on equity at a rate of 9.75%, revenue requirement, and rate of return on rate base.

4. The Parties stipulate and agree that the rate schedule attached hereto as Revised Exhibit "E", including the rates and charges and terms and conditions of service, are fair, just, and reasonable. The Parties further stipulate and agree that the rates contained in said rate schedule are reasonably designed to allow the Company to provide service to its water and sewer customers at rates and terms and conditions of service that are fair, just and reasonable and the opportunity to recover the revenue required to earn a fair return on its investment..

5. ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10(B) (added by Act 175). S.C. Code § 58-4-10(B)(1) through (3) reads in part as follows:

. . . 'public interest' means a balancing of the following:

- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) economic development and job attraction and retention in South Carolina; and
- (3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes the agreement reached between the Parties serves the public interest as defined above. The terms of this Settlement Agreement balance the concerns of the using public

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while preserving the financial integrity of the Company. ORS also believes the Settlement Agreement promotes economic development within the State of South Carolina. The Parties stipulate and agree to these findings.

6. In its Application, USSC has requested an increase in annual revenues of \$821,030. As a compromise to positions advanced by ORS and USSC, the Parties stipulate and agree to an increase in annual revenues of \$614,708, said increase to be based upon the adjustments reflected in the testimony of Sharon G. Scott and the return on equity stipulated to by the Parties in Paragraph 7 below.

7. The Company and ORS recognize the value of resolving this proceeding by settlement rather than by litigation and, therefore stipulate and agree for purposes of settlement in this case that a return on equity of 9.75% is just and reasonable under the specific circumstances of this case in the context of a comprehensive settlement.

8. The Parties further stipulate and agree that the stipulated testimony of record, the Application, and this Settlement Agreement conclusively demonstrate the following: (i) the proposed accounting and pro forma adjustments and depreciation rates shown on Revised Exhibit "D" hereto are fair and reasonable and should be adopted by the Commission for ratemaking and reporting purposes; (ii) a return on common equity of 9.75 %, which yields a fair rate of return for the Company of 8.37%, and an annual increase in revenues of approximately \$614,708, is fair, just, and reasonable when considered as a part of this stipulation and settlement agreement in its entirety; (iii) USSC's services are adequate and being provided in accordance with the requirements set out in the Commission's rules and regulations pertaining to the provision of water sewer and sewer service, and (iv) USSC's rates as proposed in this Settlement Agreement are fairly designed to equitably and reasonably recover the revenue requirement and

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are just and reasonable and should be adopted by the Commission for bills rendered by the Company on and after January 19, 2006.

9. The Parties further agree and stipulate that the rate schedule attached hereto as Revised Exhibit "E", including the rates and charges and the terms and conditions set forth therein, are just and reasonable, reasonably designed, and should be approved and adopted by the Commission. The Parties agree that Commission approval of the rate schedule provision concerning the pass-through to customers of purchased water and bulk sewer treatment service charges is effective only with respect to current purchased water and bulk sewer treatment charges imposed upon the Company and that any future increases in the amounts of such charges to be passed-through to affected customers may only be placed into effect by the Company upon compliance with the procedure established by the Commission in its Order No. 2002-285, Docket No. 2001-164-W/S.

10. USSC agrees and stipulates that it will file with the Commission a performance bond for water service in the amount of \$350,000.00 and a performance bond for sewer service in the amount of \$150,000.00.

11. The Parties agree to advocate that the Commission accept and approve this Settlement Agreement in its entirety as a fair, reasonable and full resolution of the above-captioned proceeding and to take no action inconsistent with its adoption by the Commission. The Parties further agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

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Audit Exhibit SGS-1

Utilities Services of South Carolina, Inc.
Operating Experience, Rate Base and Rates of Return
For the Test Year Ended December 31, 2004
Combined Operations

| <u>Description</u> | (1) Per Company Books \$ | (2) Accounting & Pro Forma Adjustments \$ | (3) As Adjusted \$ | (4) Effect of Proposed Increase \$ | (5) After Proposed Increase \$ |
|---|--------------------------------------|---|-----------------------------|--|--|
| <u>Operating Revenues</u> | | | | | |
| Service Revenue - Water | 2,142,888 | (1,344) (A) | 2,141,544 | 562,150 (M) | 2,703,694 |
| Service Revenue - Sewer | 109,659 | (2,550) (A) | 107,109 | 52,558 (M) | 159,667 |
| Miscellaneous Revenues | 80,466 | 0 | 80,466 | 0 | 80,466 |
| Uncollectible Accounts | (30,238) | 0 | (30,238) | (8,237) (N) | (38,475) |
| <u>Total Operating Revenues</u> | <u>2,302,775</u> | <u>(3,894)</u> | <u>2,298,881</u> | <u>606,471</u> | <u>2,905,352</u> |
| <u>Operating Expenses</u> | | | | | |
| Operating & Maintenance Expenses | 1,056,437 | (214,713) (B) | 841,724 | 0 | 841,724 |
| General & Administrative Expenses | 479,641 | 112,003 (C) | 591,644 | 0 | 591,644 |
| Depreciation & Amortization Expenses | 208,711 | 99,505 (D) | 308,216 | 0 | 308,216 |
| Taxes Other Than Income | 345,885 | (21,661) (E) | 324,224 | 6,900 (O) | 331,124 |
| Income Taxes | (21,019) | 21,019 (F) | 0 | 193,304 (P) | 193,304 |
| Interest on Customer Deposits | 0 | 3,672 (G) | 3,672 | 0 | 3,672 |
| <u>Total Operating Expenses</u> | <u>2,069,655</u> | <u>(175)</u> | <u>2,069,480</u> | <u>200,204</u> | <u>2,269,684</u> |
| <u>Total Operating Income</u> | <u>233,120</u> | <u>(3,719)</u> | <u>229,401</u> | <u>406,267</u> | <u>635,668</u> |
| Customer Growth - Audit Exhibit SGS - 7 | 0 | 1,371 | 1,371 | 1,903 | 3,274 |
| <u>Net Income for Return</u> | <u>233,120</u> | <u>(2,348)</u> | <u>230,772</u> | <u>408,170</u> | <u>638,942</u> |
| <u>Original Cost Rate Base</u> | | | | | |
| Gross Plant in Service | 8,367,148 | 715,798 (H) | 9,082,946 | 0 | 9,082,946 |
| Accumulated Depreciation | (719,490) | (299,368) (I) | (1,018,858) | 0 | (1,018,858) |
| Net Plant in Service | 7,647,658 | 416,430 | 8,064,088 | 0 | 8,064,088 |
| Cash Working Capital | 192,010 | (12,839) (J) | 179,171 | 0 | 179,171 |
| Water Service Corporation - Rate Base | 55,561 | 0 | 55,561 | 0 | 55,561 |
| Plant Acquisition Adjustment | 1,246,257 | (1,246,257) (K) | 0 | 0 | 0 |
| Contributions in Aid of Construction | (28,686) | 0 | (28,686) | 0 | (28,686) |
| Accumulated Deferred Income Taxes | (521,562) | 0 | (521,562) | 0 | (521,562) |
| Customer Deposits | (104,907) | (9,429) (L) | (114,336) | 0 | (114,336) |
| <u>Total Rate Base</u> | <u>8,486,331</u> | <u>(852,095)</u> | <u>7,634,236</u> | <u>0</u> | <u>7,634,236</u> |
| <u>Return on Rate Base</u> | <u>2.75%</u> | | <u>3.02%</u> | | <u>8.37%</u> |

Audit Exhibit SGS-2

Utilities Services of South Carolina, Inc.
Operating Experience, Rate Base and Rates of Return
For the Test Year Ended December 31, 2004
Water Operations

| Description | (1) Per Company Books \$ | (2) Accounting & Pro Forma Adjustments \$ | (3) As Adjusted \$ | (4) Effect of Proposed Increase \$ | (5) After Proposed Increase \$ |
|---|---|--|-------------------------------------|---|---|
| <u>Operating Revenues</u> | | | | | |
| Service Revenue - Water | 2,142,888 | (1,344) (A) | 2,141,544 | 562,150 (M) | 2,703,694 |
| Miscellaneous Revenues | 77,618 | 0 | 77,618 | 0 | 77,618 |
| Uncollectible Accounts | (28,802) | 0 | (28,802) | (7,533) (N) | (36,335) |
| <u>Total Operating Revenues</u> | <u>2,191,704</u> | <u>(1,344)</u> | <u>2,190,360</u> | <u>554,617</u> | <u>2,744,977</u> |
| <u>Operating Expenses</u> | | | | | |
| Operating & Maintenance Expenses | 984,221 | (216,997) (B) | 767,224 | 0 | 767,224 |
| General & Administrative Expenses | 454,365 | 105,515 (C) | 559,880 | 0 | 559,880 |
| Depreciation & Amortization Expenses | 202,280 | 91,630 (D) | 293,910 | 0 | 293,910 |
| Taxes Other Than Income | 327,754 | (20,473) (E) | 307,281 | 6,310 (O) | 313,591 |
| Income Taxes | (20,021) | 20,021 (F) | 0 | 189,241 (P) | 189,241 |
| Interest on Customer Deposits | 0 | 3,478 (G) | 3,478 | 0 | 3,478 |
| <u>Total Operating Expenses</u> | <u>1,948,599</u> | <u>(16,826)</u> | <u>1,931,773</u> | <u>195,551</u> | <u>2,127,324</u> |
| <u>Total Operating Income</u> | <u>243,105</u> | <u>15,482</u> | <u>258,587</u> | <u>359,066</u> | <u>617,653</u> |
| Customer Growth - Audit Exhibit SGS - 7 | 0 | 1,371 | 1,371 | 1,903 | 3,274 |
| <u>Net Income for Return</u> | <u>243,105</u> | <u>16,853</u> | <u>259,958</u> | <u>360,969</u> | <u>620,927</u> |
| <u>Original Cost Rate Base</u> | | | | | |
| Gross Plant in Service | 8,144,078 | 624,975 (H) | 8,769,053 | 0 | 8,769,053 |
| Accumulated Depreciation | (713,900) | (283,591) (I) | (997,491) | 0 | (997,491) |
| Net Plant in Service | 7,430,178 | 341,384 | 7,771,562 | 0 | 7,771,562 |
| Cash Working Capital | 179,823 | (13,935) (J) | 165,888 | 0 | 165,888 |
| Water Service Corporation - Rate Base | 52,635 | 0 | 52,635 | 0 | 52,635 |
| Plant Acquisition Adjustment | 1,180,579 | (1,180,579) (K) | 0 | 0 | 0 |
| Contributions in Aid of Construction | (28,686) | 0 | (28,686) | 0 | (28,686) |
| Accumulated Deferred Income Taxes | (493,677) | 0 | (493,677) | 0 | (493,677) |
| Customer Deposits | (99,378) | (8,932) (L) | (108,310) | 0 | (108,310) |
| <u>Total Rate Base</u> | <u>8,221,474</u> | <u>(862,062)</u> | <u>7,359,412</u> | <u>0</u> | <u>7,359,412</u> |
| <u>Return on Rate Base</u> | <u>2.96%</u> | | <u>3.53%</u> | | <u>8.44%</u> |

Audit Exhibit SGS-3

Utilities Services of South Carolina, Inc.
Operating Experience, Rate Base and Rates of Return
For the Test Year Ended December 31, 2004
Sewer Operations

| Description | (1) Per Company Books \$ | (2) Accounting & Pro Forma Adjustments \$ | (3) As Adjusted \$ | (4) Effect of Proposed Increase \$ | (5) After Proposed Increase \$ |
|---|---|--|-------------------------------------|---|---|
| <u>Operating Revenues</u> | | | | | |
| Service Revenue - Sewer | 109,659 | (2,550) (A) | 107,109 | 52,558 (M) | 159,667 |
| Miscellaneous Revenues | 2,848 | 0 | 2,848 | 0 | 2,848 |
| Uncollectible Accounts | (1,436) | 0 | (1,436) | (704) (N) | (2,140) |
| Total Operating Revenues | 111,071 | (2,550) | 108,521 | 51,854 | 160,375 |
| <u>Operating Expenses:</u> | | | | | |
| Operating & Maintenance Expenses | 72,216 | 2,284 (B) | 74,500 | 0 | 74,500 |
| General & Administrative Expenses | 25,276 | 6,488 (C) | 31,764 | 0 | 31,764 |
| Depreciation & Amortization Expenses | 6,431 | 7,875 (D) | 14,306 | 0 | 14,306 |
| Taxes Other Than Income | 18,131 | (1,188) (E) | 16,943 | 590 (O) | 17,533 |
| Income Taxes | (998) | 998 (F) | 0 | 4,063 (P) | 4,063 |
| Interest on Customer Deposits | 0 | 194 (G) | 194 | 0 | 194 |
| Total Operating Expenses | 121,056 | 16,651 | 137,707 | 4,653 | 142,360 |
| Total Operating Income | (9,985) | (19,201) | (29,186) | 47,201 | 18,015 |
| Customer Growth - Audit Exhibit SGS - 7 | 0 | 0 | 0 | 0 | 0 |
| Net Income for Return | (9,985) | (19,201) | (29,186) | 47,201 | 18,015 |
| <u>Original Cost Rate Base</u> | | | | | |
| Gross Plant in Service | 223,070 | 90,823 (H) | 313,893 | 0 | 313,893 |
| Accumulated Depreciation | (5,590) | (15,777) (I) | (21,367) | 0 | (21,367) |
| Net Plant in Service | 217,480 | 75,046 | 292,526 | 0 | 292,526 |
| Cash Working Capital | 12,187 | 1,096 (J) | 13,283 | 0 | 13,283 |
| Water Service Corporation - Rate Base | 2,926 | 0 | 2,926 | 0 | 2,926 |
| Plant Acquisition Adjustment | 65,678 | (65,678) (K) | 0 | 0 | 0 |
| Contributions in Aid of Construction | 0 | 0 | 0 | 0 | 0 |
| Accumulated Deferred Income Taxes | (27,885) | 0 | (27,885) | 0 | (27,885) |
| Customer Deposits | (5,529) | (497) (L) | (6,026) | 0 | (6,026) |
| Total Rate Base | 264,857 | 9,967 | 274,824 | 0 | 274,824 |
| Return on Rate Base | -3.77% | | -10.62% | | 6.56% |

Audit Exhibit SGS-4

Utilities Services of South Carolina, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2004

| <u>Description</u> | <u>Combined</u> | <u>Water</u> | <u>Sewer</u> |
|--|-----------------|----------------|----------------|
| | <u>\$</u> | <u>\$</u> | <u>\$</u> |
| <u>(A) Service Revenues - As Adjusted</u> | | | |
| 1. ORS and USSC propose to adjust operating revenues to reflect current customers at current rates. | | | |
| Per ORS | (3,894) | (1,344) | (2,550) |
| Per USSC | (3,894) | (1,344) | (2,550) |
| Total Service Revenues - Per ORS | (3,894) | (1,344) | (2,550) |
| <u>(B) Operating and Maintenance Expenses</u> | | | |
| 2. ORS and USSC propose to annualize operators' salaries. ORS annualized salaries using the actual wage increase as of 7/1/2005, excluding bonuses. USSC annualized salaries as of 12/31/04 for a 3.5% increase, excluding bonuses. | | | |
| Per ORS | 92,372 | 87,504 | 4,868 |
| Per USSC | 125,701 | 119,103 | 6,598 |
| 3. USSC proposes to increase Purchased Power expense by 5.284% to reflect inflation in accordance with the Bureau of Labor Statistic's Consumer Price Index for Water and Sewerage Maintenance. ORS does not propose to use this method to adjust expenses as these adjustments would be based upon economic forecasts rather than known and measurable transactions. | | | |
| Per ORS | 0 | 0 | 0 |
| Per USSC | 7,407 | 6,767 | 640 |
| 4. ORS proposes to remove purchased water costs for pass-through treatment with the exception of six subdivisions that are not included in the pass-through. USSC proposes to remove total purchased water expense for pass-through treatment to its customers. The costs of purchased water would be passed directly to the customer without any mark-up of the price. | | | |
| Per ORS | (258,060) | (258,060) | 0 |
| Per USSC | (316,770) | (316,770) | 0 |
| 5. USSC proposes to increase Maintenance and Repair expense by 5.284% to reflect inflation in accordance with the Bureau of Labor Statistic's Consumer Price Index for Water and Sewerage Maintenance. ORS does not propose to use this method to adjust expenses as these adjustments would be based upon economic forecasts rather than known and measurable transactions. | | | |
| Per ORS | 0 | 0 | 0 |
| Per USSC | 13,715 | 11,678 | 2,037 |

Audit Exhibit SGS-4

Utilities Services of South Carolina, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2004

| <u>Description</u> | <u>Combined</u> \$ | <u>Water</u> \$ | <u>Sewer</u> \$ |
|---|-------------------------|-------------------------|---------------------|
| 6. USSC proposes to increase Maintenance Testing expense by 5.284% to reflect inflation in accordance with Bureau of Labor Statistic's Consumer Price Index for Water and Sewerage Maintenance. ORS does not propose to use this method to adjust expenses as these adjustments would be based upon economic forecasts rather than known and measurable transactions. | | | |
| Per ORS | 0 | 0 | 0 |
| Per USSC | 2,091 | 1,738 | 353 |
| 7. USSC proposes to increase Meter Reading expense by 5.284% to reflect inflation in accordance with Bureau of Labor Statistic's Consumer Price Index for Water and Sewerage Maintenance. ORS does not propose to use this method to adjust expenses as these adjustments would be based upon economic forecasts rather than known and measurable transactions. | | | |
| Per ORS | 0 | 0 | 0 |
| Per USSC | 949 | 949 | 0 |
| 8. USSC proposes to increase Chemicals expense by 5.284% to reflect inflation in accordance with Bureau of Labor Statistic's Consumer Price Index for Water and Sewerage Maintenance. ORS does not propose to use this method to adjust expenses as these adjustments would be based upon economic forecasts rather than known and measurable transactions. | | | |
| Per ORS | 0 | 0 | 0 |
| Per USSC | 737 | 698 | 39 |
| 9. ORS and USSC propose to increase transportation expense for two new employees. | | | |
| Per ORS | 9,287 | 8,798 | 489 |
| Per USSC | 9,287 | 8,798 | 489 |
| 10. ORS and USSC propose to increase Operating Expense Charged to Plant to reflect the increase in salaries, taxes, and benefits for operators. ORS and USSC allocated this amount based on USSC's capitalization ratio of 50.95%. | | | |
| Per ORS | (58,312) | (55,239) | (3,073) |
| Per USSC | (82,719) | (78,360) | (4,359) |
| <u>Total Operating and Maintenance Expenses - Per ORS</u> | <u>(214,713)</u> | <u>(216,997)</u> | <u>2,284</u> |

Audit Exhibit SGS-4

Utilities Services of South Carolina, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2004

| <u>Description</u> | <u>Combined</u> \$ | <u>Water</u> \$ | <u>Sewer</u> \$ |
|---|-----------------------|--------------------|--------------------|
| (C) General and Administrative Expenses | | | |
| 11. ORS and USSC propose to annualize office salaries. ORS annualized salaries using the pay increase as of 7/1/2005, excluding bonuses. USSC annualized salaries as of 12/31/04 for a 3.5% increase, excluding bonuses. | | | |
| Per ORS | 12,790 | 12,116 | 674 |
| Per USSC | 11,880 | 11,259 | 621 |
| 12. USSC proposes to increase Office Supplies and Other Office expense by 5.284% to reflect inflation in accordance with Bureau of Labor Statistic's Consumer Price Index for Water and Sewerage Maintenance. ORS does not propose to use this method to adjust expenses as these adjustments would be based upon economic forecasts rather than known and measurable transactions. | | | |
| Per ORS | 0 | 0 | 0 |
| Per USSC | 6,118 | 5,795 | 323 |
| 13. ORS and USSC propose to amortize current rate case expenses over a three-year period. ORS proposes to amortize rate case expenses as of November 2005 of \$160,458 over a two-year period for an adjustment of \$80,229. USSC proposes to amortize total estimated rate case expenses of \$325,569 over a three-year period for an adjustment of \$108,523. | | | |
| Per ORS | 80,229 | 75,415 | 4,814 |
| Per USSC | 108,523 | 102,804 | 5,719 |
| 14. ORS and USSC propose to annualize Pension and Other Benefits expense associated with the wage increase. | | | |
| Per ORS | 18,984 | 17,984 | 1,000 |
| Per USSC | 23,036 | 21,828 | 1,208 |
| 15. USSC proposes to increase Rent expense by 5.284% to reflect inflation in accordance with Bureau of Labor Statistic's Consumer Price Index for Water and Sewerage Maintenance. ORS does not propose to use this method to adjust expenses as these adjustments would be based upon economic forecasts rather than known and measurable transactions. | | | |
| Per ORS | 0 | 0 | 0 |
| Per USSC | 758 | 718 | 40 |

Audit Exhibit SGS-4

Utilities Services of South Carolina, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2004

| <u>Description</u> | <u>Combined</u> \$ | <u>Water</u> \$ | <u>Sewer</u> \$ |
|---|-----------------------|-----------------------|---------------------|
| 16. USSC proposes to increase Insurance expense by 5.284% to reflect inflation in accordance with Bureau of Labor Statistic's Consumer Price Index for Water and Sewerage Maintenance. ORS does not propose to use this method to adjust expenses as these adjustments would be based upon economic forecasts rather than known and measurable transactions. | | | |
| Per ORS | 0 | 0 | 0 |
| Per USSC | 3,964 | 3,755 | 209 |
| 17. USSC proposes to increase Office Utilities expense by 5.284% to reflect inflation in accordance with Bureau of Labor Statistic's Consumer Price Index for Water and Sewerage Maintenance. ORS does not propose to use this method to adjust expenses as these adjustments would be based upon economic forecasts rather than known and measurable transactions. | | | |
| Per ORS | 0 | 0 | 0 |
| Per USSC | 1,814 | 1,719 | 95 |
| 18. USSC proposes to increase Miscellaneous expense by 5.284% to reflect inflation in accordance with Bureau of Labor Statistic's Consumer Price Index for Water and Sewerage Maintenance. ORS does not propose to use this method to adjust expenses as these adjustments would be based upon economic forecasts rather than known and measurable transactions. | | | |
| Per ORS | 0 | 0 | 0 |
| Per USSC | 1,110 | 1,051 | 59 |
| <u>Total General and Administrative Expenses-Per ORS</u> | <u>112,003</u> | <u>105,515</u> | <u>6,488</u> |

(D) Depreciation and Amortization Expenses

19. ORS and USSC propose to annualize Depreciation expense using adjusted plant in service as of November 2005. See Audit Exhibit SGS-5 for the details of the adjustment.

| | | | |
|----------|--------|--------|-------|
| Per ORS | 9,614 | 7,137 | 2,477 |
| Per USSC | 14,990 | 12,489 | 2,501 |

Audit Exhibit SGS-4

Utilities Services of South Carolina, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2004

| <u>Description</u> | <u>Combined</u> \$ | <u>Water</u> \$ | <u>Sewer</u> \$ |
|---|-----------------------|----------------------|---------------------|
| 20. ORS and USSC propose to adjust the Amortization of Contributions In of Aid Construction as of December 31, 2004. | | | |
| Per ORS | (82) | (82) | 0 |
| Per USSC | 274 | 274 | 0 |
| 21. ORS and USSC propose to adjust for the amortization of the Plant Acquisition Adjustment. ORS's Plant Acquisition Adjustment was computed using ORS's restated plant and accumulated depreciation at acquisition. The amortization amounted to \$115,937 less the per book amount of \$25,964 for an adjustment of \$89,973. See Audit Exhibit SGS - 12 for details. USSC proposes an amortization based on its restated accumulated depreciation using a 1.50% depreciation rate. | | | |
| Per ORS | 89,973 | 84,575 | 5,398 |
| Per USSC | (24,175) | (22,901) | (1,274) |
| <u>Total Depreciation and Amortization Expenses - Per ORS</u> | <u>99,505</u> | <u>91,630</u> | <u>7,875</u> |

(E) Taxes Other Than Income

| | | | |
|---|----------|----------|---------|
| 22. ORS and USSC propose to remove 2003 real estate taxes from the test year expenses. | | | |
| Per ORS | (27,096) | (25,668) | (1,428) |
| Per USSC | (27,096) | (25,668) | (1,428) |
| 23. ORS proposes to remove 2003 personal property taxes from the test year expenses. | | | |
| Per ORS | (9,495) | (8,995) | (500) |
| Per USSC | 0 | 0 | 0 |
| 24. ORS adjusted payroll taxes for the annualized payroll adjustment based on the wage increase as of 7/1/2005. USSC proposes to annualize payroll taxes based on wages as of 12/31/2004. | | | |
| Per ORS | 7,406 | 7,016 | 390 |
| Per USSC | 10,880 | 10,309 | 571 |

Audit Exhibit SGS-4

Utilities Services of South Carolina, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2004

| <u>Description</u> | <u>Combined</u> \$ | <u>Water</u> \$ | <u>Sewer</u> \$ |
|--|------------------------|------------------------|-----------------------|
| 25. ORS proposes to adjust utility/commission taxes and gross receipts taxes for the as adjusted revenue. | | | |
| Per ORS | 7,524 | 7,174 | 350 |
| Per USSC | 0 | 0 | 0 |
| <u>Total Taxes Other Than Income</u> | <u>(21,661)</u> | <u>(20,473)</u> | <u>(1,188)</u> |
| <u>(F) Income Taxes - As Adjusted</u> | | | |
| 26. ORS and USSC propose to compute income taxes after accounting and pro forma adjustments using a state rate of 5% and a federal rate of 34%. See Audit Exhibit SGS-6 for details. | | | |
| Per ORS | 21,019 | 20,021 | 998 |
| Per USSC | (57,280) | 110,855 | (168,135) |
| <u>(G) Interest on Customer Deposits</u> | | | |
| 27. ORS proposes to include annualized interest on customer deposits using the test year ending balance and the most recently PSC approved interest rate of 3.50%. | | | |
| Per ORS | 3,672 | 3,478 | 194 |
| Per USSC | 0 | 0 | 0 |
| <u>(H) Gross Plant In Service</u> | | | |
| 28. ORS proposes to restate plant in service. ORS proposes to remove organization costs previously carried on the books of the acquired companies. | | | |
| Per ORS | (421,361) | (399,156) | (22,205) |
| Per USSC | 0 | 0 | 0 |
| 29. ORS and USSC propose to include plant additions and capitalized time after the test year to November 2005. | | | |
| Per ORS | 685,190 | 631,301 | 53,889 |
| Per USSC | 510,856 | 491,610 | 19,246 |

Audit Exhibit SGS-4

Utilities Services of South Carolina, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2004

| <u>Description</u> | <u>Combined</u> | <u>Water</u> | <u>Sewer</u> |
|--|-----------------|----------------|---------------|
| | \$ | \$ | \$ |
| 30. ORS and USSC propose to include plant for work orders completed as of September 2005. | | | |
| Per ORS | 848,978 | 789,890 | 59,088 |
| Per USSC | 1,553,551 | 1,441,314 | 112,237 |
| 31. ORS and USSC propose to adjust for plant retirements associated with the completed work orders as of September 2005. Adjustments to Accumulated Depreciation are reflected in Adjustment No. 35. | | | |
| Per ORS | (301,242) | (301,242) | 0 |
| Per USSC | (413,839) | (413,839) | 0 |
| 32. ORS and USSC propose to remove an elevated storage tank which is no longer used by the Company. ORS removes net book value of \$75,053 (\$102,188 for plant less \$27,134 accumulated depreciation). USSC also removes the net book value amount of \$110,563. | | | |
| Per ORS | (75,053) | (75,053) | 0 |
| Per USSC | (110,563) | (110,563) | 0 |
| 33. ORS and USSC propose an extraordinary retirement of wells, structures, and storage tanks. ORS removes the net book value of \$21,677 (\$30,054 for plant less \$8,377 for accumulated depreciation). USSC removes the net book value of (\$30,293). | | | |
| Per ORS | (21,677) | (21,677) | 0 |
| Per USSC | (30,293) | (30,293) | 0 |
| 34. ORS and USSC propose to adjust for excess book value which represents an increase in USSC's paid in capital over the investment in the utility. | | | |
| Per ORS | 963 | 912 | 51 |
| Per USSC | 963 | 912 | 51 |
| Total Gross Plant In Service - Per ORS | 715,798 | 624,975 | 90,823 |

Audit Exhibit SGS-4

Utilities Services of South Carolina, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2004

| <u>Description</u> | <u>Combined</u> \$ | <u>Water</u> \$ | <u>Sewer</u> \$ |
|--|-----------------------|--------------------|--------------------|
| <u>(I) Accumulated Depreciation</u> | | | |
| 35. ORS proposes to adjust accumulated depreciation for the additional plant and capitalized time. ORS also proposes to restate accumulated depreciation using rates recommended by ORS's Water and Wastewater Department for the acquired companies and to adjust accumulated depreciation for the test year at the 1.50% depreciation rate. See Audit Exhibit SGS - 13. USSC proposes to adjust accumulated depreciation for planned additional capital investments, invoiced and estimated additions, capitalized time and the restatement of accumulated depreciation to a 1.5% depreciation rate. | | | |
| Per ORS | (299,368) | (283,591) | (15,777) |
| Per USSC | 382,333 | 384,305 | (1,972) |
| <u>(J) Cash Working Capital</u> | | | |
| 36. ORS and USSC propose to adjust Cash Working Capital based on pro forma expenses. | | | |
| Per ORS | (12,839) | (13,935) | 1,096 |
| Per USSC | (10,301) | (12,059) | 1,758 |
| <u>(K) Plant Acquisition Adjustment</u> | | | |
| 37. ORS proposes to remove the unamortized balance of (\$1,246,257) for the Plant Acquisition Adjustment from rate base. ORS does propose to allow the amortization of the Plant Acquisition Adjustment in operating expenses. This methodology allows for a sharing of the expenses between the ratepayer and USSC shareholders. USSC proposes a reduction of (\$1,131,464) to the per book Plant Acquisition Adjustment amount of 1,246,257, resulting in a Plant Acquisition Adjustment amount of \$114,793. | | | |
| Per ORS | (1,246,257) | (1,180,579) | (65,678) |
| Per USSC | (1,131,464) | (1,071,836) | (59,628) |
| <u>(L) Customer Deposits</u> | | | |
| 38. ORS and USSC propose to remove Accrued Interest owed to customers for their deposits. | | | |
| Per ORS | (9,429) | (8,932) | (497) |
| Per USSC | (9,429) | (8,932) | (497) |

Audit Exhibit SGS-4

Utilities Services of South Carolina, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2004

| <u>Description</u> | <u>Combined</u> | <u>Water</u> | <u>Sewer</u> |
|---|-----------------|-----------------|----------------|
| | <u>\$</u> | <u>\$</u> | <u>\$</u> |
| <u>(M) Service Revenues - Proposed Increase</u> | | | |
| 39. ORS and USSC propose an increase in service revenues. | | | |
| Per ORS | <u>614,708</u> | <u>562,150</u> | <u>52,558</u> |
| Per USSC | <u>821,130</u> | <u>750,809</u> | <u>70,321</u> |
| <u>(N) Uncollectible Accounts - Proposed Increase</u> | | | |
| 40. ORS and USSC propose to adjust Uncollectible Accounts expense for the proposed revenue. | | | |
| Per ORS | <u>(8,237)</u> | <u>(7,533)</u> | <u>(704)</u> |
| Per USSC | <u>(11,039)</u> | <u>(10,097)</u> | <u>(942)</u> |
| <u>(O) Taxes Other Than Income - Proposed Increase</u> | | | |
| 41. ORS and USSC propose to adjust utility/commission tax and gross receipts taxes for the net proposed revenue. | | | |
| Per ORS | <u>6,900</u> | <u>6,310</u> | <u>590</u> |
| Per USSC | <u>8,752</u> | <u>8,003</u> | <u>749</u> |
| <u>(P) Income Taxes - Proposed Increase</u> | | | |
| 42. ORS and USSC propose to adjust income taxes for the proposed increase using a state tax rate of 5% and a federal tax rate of 34%. | | | |
| Per ORS | <u>193,304</u> | <u>189,241</u> | <u>4,063</u> |
| Per USSC | <u>659,765</u> | <u>65,736</u> | <u>594,029</u> |

Utilities Services of South Carolina, Inc.
Depreciation and Amortization Adjustment
Test Year Ended December 31, 2004

| | <u>Combined</u> | <u>Water</u> | <u>Sewer</u> |
|---|---------------------|---------------------|---------------------|
| <u>Gross Plant</u> | \$ | \$ | \$ |
| Gross Plant at 12-31-2004 - Per USSC | 8,367,148 | 8,144,078 | 223,070 |
| Less: Organization Costs for Acquired Companies | (421,361) | (399,155) | (22,206) |
| Gross Plant at 12-31-2004 - Per ORS Restatement | <u>7,945,787</u> | <u>7,744,923</u> | <u>200,864</u> |
| Add: | | | |
| General Ledger Additions and Capitalized Time After Test Year | 685,190 | 631,301 | 53,889 |
| Pro Forma Projects | 848,978 | 789,890 | 59,088 |
| Total Gross Plant In Service | <u>9,479,955</u> | <u>9,166,114</u> | <u>313,841</u> |
| Less: | | | |
| Land | (239,058) | (226,459) | (12,599) |
| Organization Expense | (177,153) | (163,583) | (13,570) |
| Franchise Fees | (6,857) | (6,857) | 0 |
| Pro forma project retirements | (301,242) | (301,242) | 0 |
| Elevated Storage Tank | (102,188) | (102,188) | 0 |
| Extraordinary Retirement | (30,054) | (30,054) | 0 |
| Computers | (156,409) | (148,166) | (8,243) |
| Vehicles | (299,086) | (283,324) | (15,762) |
| Fully Depreciated Assets (Computers Excluded) | (48,774) | (46,203) | (2,571) |
| Net Plant | <u>8,119,134</u> | <u>7,858,038</u> | <u>261,096</u> |
| Plant Depreciation @ 1.5% (66.67 years) | 121,787 | 117,871 | 3,916 |
| Computers | 156,409 | 148,166 | 8,243 |
| Less: Fully Depreciated Computers | (145,564) | (137,893) | (7,671) |
| Net Computers | <u>10,845</u> | <u>10,273</u> | <u>572</u> |
| Computer Depreciation @ 25% (4 years) | 2,711 | 2,568 | 143 |
| Vehicles | 299,086 | 283,324 | 15,762 |
| Less: Fully Depreciated Vehicles | (60,469) | (57,282) | (3,187) |
| Net Vehicles | <u>238,617</u> | <u>226,042</u> | <u>12,575</u> |
| Vehicle Depreciation @ 25% (4 years) | 59,655 | 56,511 | 3,144 |
| Excess Book Value Amortization Expense | 15 | 14 | 1 |
| Extraordinary Depreciation for Test Year | 2,168 | 2,168 | 0 |
| Annualized Depreciation Expense Allocated from WSC | 3,321 | 3,146 | 175 |
| Depreciation Expense Allocated from CWS | <u>3,059</u> | <u>2,898</u> | <u>161</u> |
| Total Depreciation | 192,716 | 185,176 | 7,540 |
| Less: Per Book Depreciation | (183,102) | (178,039) | (5,063) |
| ORS Depreciation Adjustment | <u><u>9,614</u></u> | <u><u>7,137</u></u> | <u><u>2,477</u></u> |

**Utilities Services of South Carolina, Inc.
Depreciation and Amortization Adjustment
Test Year Ended December 31, 2004**

| | <u>Combined</u> | <u>Water</u> | <u>Sewer</u> |
|--|-----------------|--------------|--------------|
| | \$ | \$ | \$ |
| <u>Contributions in Aid of Construction</u> | | | |
| Gross CIAC at 12-31-2004 | 29,077 | 29,077 | 0 |
| CIAC Amortization @ 1.5% (66.67 years) | (436) | (436) | 0 |
| Less: Per Book Amortization of CIAC | (354) | (354) | 0 |
| | <u>(82)</u> | <u>(82)</u> | <u>0</u> |
| ORS Amortization Adjustment | | | |
| | <u>274</u> | <u>274</u> | <u>0</u> |
| USSC Amortization Adjustment | | | |

Audit Exhibit SGS-6

Utilities Services of South Carolina, Inc.
Computation of Income Taxes
For the Test Year Ended December 31, 2004

| | As Adjusted | | |
|--------------------------------------|--------------------------------|-----------------------------|-----------------------------|
| | Combined Operations | Water Operations | Sewer Operations |
| | \$ | \$ | \$ |
| Operating Revenue As Adjusted | 2,298,881 | 2,190,360 | 108,521 |
| Less: Operating Expenses As Adjusted | <u>(2,069,480)</u> | <u>(1,931,773)</u> | <u>(137,707)</u> |
| Net Operating Income Before Taxes | 229,401 | 258,587 | (29,186) |
| Less: Annualized Interest Expense | <u>(310,732)</u> | <u>(299,546)</u> | <u>(11,186)</u> |
| Taxable Income - State | (81,331) | (40,959) | (40,372) |
| State Income Taxes @ 5% | <u>5.00%</u> | <u>5.00%</u> | <u>5.00%</u> |
| State Income Taxes | <u>0</u> | <u>0</u> | <u>0</u> |
| Taxable Income - Federal | (81,331) | (40,959) | (40,372) |
| Federal Tax Rate @ 34% | <u>34.00%</u> | <u>34.00%</u> | <u>34.00%</u> |
| Total Federal Income Taxes | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Federal and State Income Taxes | 0 | 0 | 0 |
| Less: Income Taxes Per Book | <u>(21,019)</u> | <u>(20,021)</u> | <u>(998)</u> |
| Adjustment | <u>21,019</u> | <u>20,021</u> | <u>998</u> |

| | After Proposed Increase | | |
|--|--------------------------------|-----------------------------|-----------------------------|
| | Combined Operations | Water Operations | Sewer Operations |
| Operating Revenue After Proposed Increase | 2,905,352 | 2,744,977 | 160,375 |
| Operating Expenses After Proposed Increase | <u>2,076,380</u> | <u>1,938,083</u> | <u>138,297</u> |
| Net Operating Income Before Taxes | 828,972 | 806,894 | 22,078 |
| Less: Annualized Interest Expense | <u>(310,732)</u> | <u>(299,546)</u> | <u>(11,186)</u> |
| Taxable Income - State | 518,240 | 507,348 | 10,892 |
| State Income Taxes @ 5% | <u>25,912</u> | <u>25,367</u> | <u>545</u> |
| Taxable Income - Federal | 492,328 | 481,981 | 10,347 |
| Federal Income Taxes - @ 34% | <u>167,392</u> | <u>163,874</u> | <u>3,518</u> |
| Total State and Federal Income Taxes | 193,304 | 189,241 | 4,063 |
| Less: Income Taxes As Adjusted | <u>0</u> | <u>0</u> | <u>0</u> |
| Adjustment | <u>193,304</u> | <u>189,241</u> | <u>4,063</u> |

Audit Exhibit SGS-7

Utilities Services of South Carolina, Inc.
Customer Growth Computation
Test Year Ended December 31, 2004

| | | (1) | (2) | (3) |
|-----------------------------|-------|--------------------|------------------------------------|-----------------------|
| Combined Operations: | | | | |
| <u>Description</u> | | <u>As Adjusted</u> | <u>Effect of Proposed Increase</u> | <u>After Increase</u> |
| | | \$ | \$ | \$ |
| Water Customer Growth | | 1,371 | 1,903 | 3,274 |
| Sewer Customer Growth | | 0 | 0 | 0 |
| Combined Customer Growth | | 1,371 | 1,903 | 3,274 |
| Number of Customers: | | | | |
| Beginning | 7,105 | | | |
| Ending | 7,178 | | | |
| Average | 7,142 | | | |
| | | Formula: | | |
| | | Ending - Average | = | 36 |
| | | Average | = | 7,142 |
| | | | = | 0.50% |
| Water Operations: | | | | |
| Net Operating Income | | 258,587 | 359,066 | 617,653 |
| Growth Factor | | 0.53% | 0.53% | 0.53% |
| Customer Growth | | 1,371 | 1,903 | 3,274 |
| Number of Customers: | | | | |
| Beginning | 6,730 | | | |
| Ending | 6,802 | | | |
| Average | 6,766 | | | |
| | | Formula: | | |
| | | Ending - Average | = | 36 |
| | | Average | = | 6,766 |
| | | | = | 0.53% |
| Sewer Operations: | | | | |
| Net Operating Income | | (29,186) | 47,201 | 18,015 |
| Growth Factor | | 0.00% | 0.00% | 0.00% |
| Customer Growth | | 0 | 0 | 0 |
| Number of Customers: | | | | |
| Beginning | 375 | | | |
| Ending | 376 | | | |
| Average | 376 | | | |
| | | Formula: | | |
| | | Ending - Average | = | 0 |
| | | Average | = | 376 |
| | | | = | 0.00% |

Note: Combined Customer Growth equals Water Customer Growth since Sewer Customer Growth equals -0-. ORS used beginning customers at 01-01-2004 and ending customers at 09-30-2005.

Audit Exhibit SGS-8

Utilities Services of South Carolina, Inc.
Cash Working Capital Allowance
For the Test Year Ended December 31, 2004

| | Combined Operations | Water Operations | Sewer Operations |
|--|--------------------------------|-----------------------------|-----------------------------|
| | \$ | \$ | \$ |
| Operating and Maintenance - As Adjusted | 841,724 | 767,224 | 74,500 |
| General and Administrative - As Adjusted | <u>591,644</u> | <u>559,880</u> | <u>31,764</u> |
| Total Expenses for Computation | 1,433,368 | 1,327,104 | 106,264 |
| 45-Day Allowance (1/8 Rate) | <u>12.50%</u> | <u>12.50%</u> | <u>12.50%</u> |
| Computed Cash Working Capital - As Adjusted | 179,171 | 165,888 | 13,283 |
| Cash Working Capital - Per Books | <u>192,010</u> | <u>179,823</u> | <u>12,187</u> |
| Cash Working Capital Adjustment - ORS | <u>(12,839)</u> | <u>(13,935)</u> | <u>1,096</u> |
| Cash Working Capital Adjustment - USSC | <u>(10,301)</u> | <u>(12,059)</u> | <u>1,758</u> |

Utilities Services of South Carolina, Inc.
Return On Common Equity
Capital Structure at December 31, 2004

| Description | Capital Structure | Ratio | -----As Adjusted----- | | | -----After Proposed Increase----- | | | Income For Return |
|----------------|-------------------|---------|-----------------------|----------------------|---------------------|-----------------------------------|----------------------|---------------------|-------------------|
| | | | Rate Base | Embedded Cost/Return | Overall Cost/Return | Rate Base | Embedded Cost/Return | Overall Cost/Return | |
| Long-Term Debt | \$ 112,803,215 | 55.91% | \$ 4,268,301 | 7.28% | 4.07% | \$ 4,268,301 | 7.28% | 4.07% | \$ 310,732 |
| Common Equity | 88,963,597 | 44.09% | 3,365,935 | -2.38% | -1.05% | 3,365,935 | 9.75% | 4.30% | 328,210 |
| Totals | 201,766,812 | 100.00% | 7,634,236 | | 3.02% | 7,634,236 | | 8.37% | 638,942 |

| Description | Capital Structure | Ratio | -----As Adjusted----- | | | -----After Proposed Increase----- | | | Income For Return |
|----------------|-------------------|---------|-----------------------|----------------------|---------------------|-----------------------------------|----------------------|---------------------|-------------------|
| | | | Rate Base | Embedded Cost/Return | Overall Cost/Return | Rate Base | Embedded Cost/Return | Overall Cost/Return | |
| Long-Term Debt | \$ 112,803,215 | 55.91% | \$ 4,114,647 | 7.28% | 4.07% | \$ 4,114,647 | 7.28% | 4.07% | \$ 299,546 |
| Common Equity | 88,963,597 | 44.09% | 3,244,765 | -1.22% | -0.54% | 3,244,765 | 9.90% | 4.36% | 321,381 |
| Totals | 201,766,812 | 100.00% | 7,359,412 | | 3.53% | 7,359,412 | | 8.43% | 620,927 |

| Description | Capital Structure | Ratio | -----As Adjusted----- | | | -----After Proposed Increase----- | | | Income For Return |
|----------------|-------------------|---------|-----------------------|----------------------|---------------------|-----------------------------------|----------------------|---------------------|-------------------|
| | | | Rate Base | Embedded Cost/Return | Overall Cost/Return | Rate Base | Embedded Cost/Return | Overall Cost/Return | |
| Long-Term Debt | \$ 112,803,215 | 55.91% | \$ 153,654 | 7.28% | 4.07% | \$ 153,654 | 7.28% | 4.07% | \$ 11,186 |
| Common Equity | 88,963,597 | 44.09% | 121,170 | -33.32% | -14.69% | 121,170 | 5.64% | 2.49% | 6,829 |
| Totals | 201,766,812 | 100.00% | 274,824 | | -10.62% | 274,824 | | 6.56% | 18,015 |

Used Capital Structure of Utilities, Inc. and Subsidiaries @ 12-31-2004

Audit Exhibit SGS-10

Utilities Services of South Carolina, Inc.
Income Statement
Test Year Ended December 31, 2004

| | Combined \$ | Water \$ | Sewer \$ |
|--|------------------|------------------|----------------|
| <u>Operating Revenues</u> | | | |
| Service Revenues - Water | 2,142,888 | 2,142,888 | 0 |
| Service Revenues - Sewer | 109,659 | 0 | 109,659 |
| Miscellaneous Revenues | 80,466 | 77,618 | 2,848 |
| Uncollectible Accounts | (30,238) | (28,802) | (1,436) |
| <u>Total Operating Revenues</u> | <u>2,302,775</u> | <u>2,191,704</u> | <u>111,071</u> |
| <u>Operating Expenses</u> | | | |
| <u>Maintenance Expenses</u> | | | |
| Salaries and Wages | 479,180 | 453,927 | 25,253 |
| Purchased Power | 140,181 | 128,071 | 12,110 |
| Purchased Sewer & Water | 316,770 | 316,770 | 0 |
| Maintenance and Repair | 259,549 | 221,003 | 38,546 |
| Maintenance Testing | 39,576 | 32,898 | 6,678 |
| Meter Reading | 17,968 | 17,968 | 0 |
| Chemicals | 13,952 | 13,217 | 735 |
| Transportation | 65,009 | 61,583 | 3,426 |
| Operating Exp. Charged to Plant | (304,457) | (288,412) | (16,045) |
| Outside Services - Other | 28,709 | 27,196 | 1,513 |
| <u>Total</u> | <u>1,056,437</u> | <u>984,221</u> | <u>72,216</u> |
| <u>General Expenses</u> | | | |
| Salaries and Wages | 112,917 | 106,966 | 5,951 |
| Office Supplies & Other Office Exp. | 115,776 | 109,675 | 6,101 |
| Regulatory Commission Exp. | 21 | 20 | 1 |
| Pension & Other Benefits | 106,211 | 100,614 | 5,597 |
| Rent | 14,350 | 13,594 | 756 |
| Insurance | 75,020 | 71,066 | 3,954 |
| Office Utilities | 34,334 | 32,525 | 1,809 |
| Miscellaneous | 21,012 | 19,905 | 1,107 |
| <u>Total</u> | <u>479,641</u> | <u>454,365</u> | <u>25,276</u> |
| Depreciation | 183,102 | 178,039 | 5,063 |
| Extraordinary Retirement | 25,963 | 24,595 | 1,368 |
| Taxes Other Than Income | 345,885 | 327,754 | 18,131 |
| Income Taxes - Federal | (21,166) | (20,161) | (1,005) |
| Income Taxes - State | 147 | 140 | 7 |
| Amortization of ITC | 0 | 0 | 0 |
| Amortization of CIAC | (354) | (354) | 0 |
| <u>Total</u> | <u>533,577</u> | <u>510,013</u> | <u>23,564</u> |
| <u>Total Operating Expenses</u> | <u>2,069,655</u> | <u>1,948,599</u> | <u>121,056</u> |
| <u>Net Operating Income</u> | <u>233,120</u> | <u>243,105</u> | <u>(9,985)</u> |
| <u>Net Income for Return</u> | <u>233,120</u> | <u>243,105</u> | <u>(9,985)</u> |

Audit Exhibit SGS-11

Utilities Services of South Carolina, Inc.
Balance Sheet
December 31, 2004

| | \$ | \$ | \$ |
|---|---|-------------|-------------------------|
| | <u>Assets</u> | | |
| Plant In Service | | | |
| Water | 7,811,997 | | |
| Sewer | 204,472 | | |
| Total | | 8,016,469 | |
| Accumulated Depreciation - Water | (1,614,644) | | |
| Accumulated Depreciation - Sewer | (25,279) | | |
| Total | | (1,639,923) | |
| Net Utility Plant | | | 6,376,546 |
| Plant Acquisition Adjustment - Water | 1,180,579 | | |
| Plant Acquisition Adjustment - Sewer | 65,678 | | |
| Total | | | 1,246,257 |
| Construction Work In Process - Water | 625,872 | | |
| Construction Work In Process - Sewer | 538 | | |
| Total | | | 626,410 |
| Current Assets | | | |
| Cash | 0 | | |
| Accounts Receivable - Net | 374,157 | | |
| Other Current Assets | 4,133 | | |
| Total | | | 378,290 |
| Deferred Charges | | | 35,949 |
| <u>Total Assets</u> | | | <u>8,663,452</u> |
| | <u>Liabilities and Other Credits</u> | | |
| Capital Stock and Retained Earnings | | | |
| Common Stock and Paid In Capital | 5,716,429 | | |
| Retained Earnings | 234,902 | | |
| Total | | 5,951,331 | |
| Current and Accrued Liabilities | | | |
| Accounts Payable - Trade | 38,889 | | |
| Taxes Accrued | 0 | | |
| Customer Deposits | 104,906 | | |
| Customer Deposits - Interest | 9,429 | | |
| A/P - Associated Companies | 2,008,649 | | |
| Total | | 2,161,873 | |
| Advances In Aid of Construction | | | |
| Water | 0 | | |
| Sewer | 0 | | |
| Total | | | 0 |
| Contributions In Aid of Construction | | | |
| Water | 28,686 | | |
| Sewer | 0 | | |
| Total | | 28,686 | |
| Accumulated Deferred Income Tax | | | |
| Unamortized ITC | 0 | | |
| Deferred Tax - Federal | 520,934 | | |
| Deferred Tax - State | 628 | | |
| Total | | 521,562 | |
| <u>Total Liabilities and Other Credits</u> | | | <u>8,663,452</u> |

Utilities Services of South Carolina, Inc.
Plant Restatement & Plant Acquisition Adjustment
For the Test Year Ended December 31, 2004

| Date Acquired | Description | Amount | Service Life | <u>Note # 1:</u> | | Accum. Depreciation |
|---------------------|--------------------------|----------|-----------------|------------------|------------------|------------------------|
| | | | | Depr. Rate | Depr. Expense | |
| | | \$ | years | % | \$ | \$ |
| <u>US UTILITIES</u> | | | | | | |
| 25-Aug-95 | MQ Computer System | 2,041 | 6 | 16.67% | 0 | 2,041 |
| 25-Aug-95 | Computer System | 1,310 | 6 | 16.67% | 0 | 1,310 |
| 25-Aug-95 | MQ Computer System | 2,862 | 6 | 16.67% | 0 | 2,862 |
| 03-Oct-95 | Plotter Printer | 8,503 | 6 | 16.67% | 0 | 8,503 |
| 05-Oct-95 | Computer | 2,114 | 6 | 16.67% | 0 | 2,114 |
| 10-Dec-95 | MQ Computer | 1,102 | 6 | 16.67% | 0 | 1,102 |
| 01-Mar-96 | Software Program | 656 | 6 | 16.67% | 0 | 656 |
| 02-Aug-96 | Pentium Computer | 2,013 | 6 | 16.67% | 0 | 2,013 |
| 08-Nov-96 | Scanning Equip | 679 | 6 | 16.67% | 0 | 679 |
| 08-Nov-96 | Scanning Equip | 543 | 6 | 16.67% | 0 | 543 |
| 17-Nov-96 | Pentium Computer | 1,695 | 6 | 16.67% | 0 | 1,695 |
| 08-Jan-97 | Hawkins Software | 4,500 | 6 | 16.67% | 750 | 4,500 |
| 21-Jan-97 | AS400 System | 79,286 | 6 | 16.67% | 13,217 | 79,286 |
| 24-Jan-97 | Hayes Optima Modem | 255 | 6 | 16.67% | 43 | 255 |
| 10-Jul-97 | Sharp PP Laser Fax | 1,076 | 6 | 16.67% | 179 | 1,076 |
| 11-Aug-97 | IBM Selectric | 263 | 6 | 16.67% | 44 | 263 |
| 30-Oct-97 | Richo Fax | 2,228 | 6 | 16.67% | 371 | 2,228 |
| 09-Apr-98 | Fax Machine | 891 | 6 | 16.67% | 149 | 745 |
| 21-Apr-98 | Computer Equip | 6,099 | 6 | 16.67% | 1,017 | 5,085 |
| 16-Jun-98 | Fax/Printer | 839 | 6 | 16.67% | 140 | 700 |
| 04-Aug-98 | Computer Equipment | 16,300 | 6 | 16.67% | 2,717 | 13,585 |
| 20-Oct-98 | Fax Machine | 2,343 | 6 | 16.67% | 391 | 1,955 |
| 23-Oct-98 | Computer Equipment | 1,079 | 6 | 16.67% | 180 | 900 |
| 12-Nov-98 | Computer Equipment | 1,370 | 6 | 16.67% | 228 | 1,140 |
| 11-Dec-98 | Computer Equipment | 3,046 | 6 | 16.67% | 508 | 2,540 |
| 15-Jun-99 | Computers | 8,353 | 6 | 16.67% | 1,392 | 5,568 |
| 09-Jun-00 | Computer | 1,143 | 6 | 16.67% | 191 | 573 |
| 20-Jun-00 | Computer | 1,349 | 6 | 16.67% | 225 | 675 |
| 20-Mar-97 | Conference Table | 843 | 15 | 6.67% | 0 | 0 |
| 20-Mar-97 | Light Fixtures | 389 | 15 | 6.67% | 0 | 0 |
| 06-Oct-97 | 2 Desks | 927 | 15 | 6.67% | 62 | 372 |
| 09-Oct-97 | 2 Desks | 1,827 | 15 | 6.67% | 122 | 732 |
| 01-Feb-98 | Office Furniture | 1,550 | 15 | 6.67% | 103 | 515 |
| 16-Jun-98 | Desk | 661 | 15 | 6.67% | 44 | 220 |
| 15-Oct-98 | Office Furniture | 2,480 | 15 | 6.67% | 165 | 825 |
| 15-Nov-98 | Office Furniture | 4,047 | 15 | 6.67% | 270 | 1,350 |
| 15-Dec-98 | Office Furniture | 687 | 15 | 6.67% | 46 | 230 |
| 15-Jun-99 | Office F&F | 1,152 | 15 | 6.67% | 77 | 308 |
| | 2 Disposed Assets | (1,232) | 0 | 0 | 0 | 0 |
| 12-Jun-98 | 1998 Malibu | 14,586 | 6 | 16.67% | 0 | 0 |
| 10-Jul-98 | 1998 Lumina | 21,500 | 6 | 16.67% | 3,584 | 17,920 |
| 15-Jun-99 | Auto | 20,551 | 6 | 16.67% | 3,426 | 13,704 |
| | 1 Disposed Asset | (14,586) | 0 | 0 | 0 | 0 |
| Total US UTILITIES | | 209,320 | | | 29,641 | 180,768 |

Note # 1: Depreciation Rates Recommended by ORS's Water and Wastewater Department

Utilities Services of South Carolina, Inc.
Plant Restatement & Plant Acquisition Adjustment
For the Test Year Ended December 31, 2004

| Date Acquired | Description | Amount | Service Life | Note # 1: | | Depr. Expense | Accum. Depreciation |
|------------------------------------|--------------------|---------|-----------------|---------------|--|------------------|------------------------|
| | | | | Depr. Rate | | | |
| | | \$ | years | % | | \$ | \$ |
| <u>UTILITIES OF SOUTH CAROLINA</u> | | | | | | | |
| 01-Oct-84 | Type Writer | 259 | 6 | 16.67% | | 0 | 259 |
| 17-Feb-97 | Computers | 735 | 6 | 16.67% | | 123 | 735 |
| 01-Jun-97 | Computers | 1,477 | 6 | 16.67% | | 246 | 1,477 |
| 01-Jan-85 | Land | 10,185 | 0 | 0 | | 0 | 0 |
| 01-Jan-85 | Land | 1,000 | 0 | 0 | | 0 | 0 |
| 20-Dec-94 | Land | 681 | 0 | 0 | | 0 | 0 |
| 30-Jun-97 | Land | 1,666 | 0 | 0 | | 0 | 0 |
| 30-Jun-78 | Tanks & Standpipes | 43,144 | 35 | 2.86% | | 1,234 | 30,850 |
| 01-Jan-80 | Water System | 172,912 | 45 | 2.22% | | 3,839 | 88,297 |
| 30-Jun-80 | Wells Crest | 28,518 | 30 | 3.33% | | 950 | 21,850 |
| 30-Jun-80 | Mains Crest | 172,222 | 35 | 2.86% | | 4,926 | 113,298 |
| 01-Jul-80 | Water Meters | 1,634 | 20 | 5.00% | | 0 | 1,634 |
| 01-Dec-84 | Water System | 2,250 | 45 | 2.22% | | 50 | 950 |
| 01-Dec-84 | Water System | 2,250 | 45 | 2.22% | | 50 | 950 |
| 01-May-85 | Water System | 22,500 | 45 | 2.22% | | 500 | 9,000 |
| 01-May-85 | Sewer System | 22,500 | 45 | 2.22% | | 500 | 9,000 |
| 01-Oct-86 | Water Meters | 1,200 | 20 | 5.00% | | 60 | 1,020 |
| 01-Oct-86 | Radio | 3,350 | 10 | 10.00% | | 0 | 3,350 |
| 01-Mar-87 | Sewer Equip | 2,917 | 15 | 6.67% | | 0 | 2,917 |
| 01-May-87 | Water System | 1,000 | 45 | 2.22% | | 22 | 352 |
| 01-May-87 | Lawn Mowers | 452 | 12 | 8.33% | | 0 | 452 |
| 01-Sep-87 | Water System | 3,500 | 45 | 2.22% | | 78 | 1,248 |
| 01-Jan-90 | 5HP Motor | 943 | 20 | 5.00% | | 47 | 611 |
| 01-Mar-90 | Water Meters | 425 | 20 | 5.00% | | 21 | 273 |
| 01-Mar-90 | Control Box | 173 | 25 | 4.00% | | 7 | 91 |
| 01-May-90 | RockWLMeter | 199 | 66.67 | 1.50% | | 3 | 39 |
| 01-Jul-90 | 3HP Control Box | 219 | 25 | 4.00% | | 9 | 117 |
| 01-Oct-90 | Davis Meters | 1,450 | 20 | 5.00% | | 73 | 949 |
| 01-Dec-90 | Meters | 391 | 20 | 5.00% | | 20 | 260 |
| 01-Mar-91 | Daves Water System | 148,675 | 45 | 2.22% | | 3,301 | 39,612 |
| 01-Sep-91 | Darby Well | 1,219 | 30 | 3.33% | | 41 | 492 |
| 01-Dec-91 | Stewart 2 Way | 604 | 20 | 5.00% | | 30 | 360 |
| 01-Dec-91 | Darby Pump | 1,804 | 20 | 5.00% | | 90 | 1,080 |
| 01-Feb-92 | Water Meter | 350 | 20 | 5.00% | | 18 | 198 |
| 01-Apr-92 | Pump Motor | 734 | 20 | 5.00% | | 37 | 407 |
| 01-Jul-92 | Davis Water | 1,073 | 45 | 2.22% | | 24 | 264 |
| 01-Sep-92 | Control Box | 264 | 25 | 4.00% | | 11 | 121 |
| 01-Jan-93 | Pump & Motor | 739 | 20 | 5.00% | | 37 | 370 |
| 01-Feb-93 | Chem Feeders | 1,077 | 8 | 12.50% | | 0 | 1,077 |
| 01-Mar-93 | Meters | 3,673 | 20 | 5.00% | | 184 | 1,840 |
| 01-Jul-93 | Pump Houses | 1,124 | 40 | 2.50% | | 28 | 280 |
| 01-Sep-93 | Meters | 1,044 | 25 | 4.00% | | 42 | 420 |
| 01-Oct-93 | Meters | 1,494 | 25 | 4.00% | | 60 | 600 |
| 01-Oct-93 | Pump House | 562 | 40 | 2.50% | | 14 | 140 |
| 01-Dec-93 | Pump Houses 8 | 4,704 | 40 | 2.50% | | 118 | 1,180 |
| 01-Dec-93 | Pump Houses 6 | 4,757 | 40 | 2.50% | | 119 | 1,190 |
| 01-Dec-93 | Cell Phone | 723 | 10 | 10.00% | | 72 | 723 |
| 01-Feb-94 | Error Dep Basis | 1,861 | 66.67 | 1.50% | | 28 | 252 |

Utilities Services of South Carolina, Inc.
Plant Restatement & Plant Acquisition Adjustment
For the Test Year Ended December 31, 2004

| Date Acquired | Description | Note # 1: | | | | |
|-----------------------------------|----------------------|-----------|-----------------|---------------|------------------|------------------------|
| | | Amount | Service Life | Depr. Rate | Depr. Expense | Accum. Depreciation |
| | | \$ | years | % | \$ | \$ |
| 01-Feb-94 | 4 Metal Sheds | 2,431 | 40 | 2.50% | 61 | 549 |
| 01-Feb-94 | Utility Bldgs | 4,809 | 40 | 2.50% | 120 | 1,080 |
| 01-Mar-94 | 6 Pump Houses | 3,607 | 40 | 2.50% | 90 | 810 |
| 11-Mar-94 | Pump Crest | 3,509 | 20 | 5.00% | 175 | 1,575 |
| 01-Apr-94 | Meters | 1,545 | 25 | 4.00% | 62 | 558 |
| 01-Apr-94 | Two Way Radio | 541 | 10 | 10.00% | 54 | 486 |
| 01-Apr-94 | Darby | 927 | 30 | 3.33% | 31 | 279 |
| 01-Apr-94 | Two Way Radio | 232 | 10 | 10.00% | 23 | 207 |
| 01-May-94 | Meters | 4,970 | 25 | 4.00% | 199 | 1,791 |
| 01-May-94 | Pump | 574 | 20 | 5.00% | 29 | 261 |
| 01-May-94 | Ower | 1,202 | 66.67 | 1.50% | 18 | 162 |
| 01-Jun-94 | Meters | 1,462 | 25 | 4.00% | 58 | 522 |
| 01-Jul-94 | Meters | 4,011 | 25 | 4.00% | 160 | 1,440 |
| 01-Jul-94 | Pump | 423 | 20 | 5.00% | 21 | 189 |
| 01-Aug-94 | Radio Equip | 374 | 10 | 10.00% | 37 | 333 |
| 01-Sep-94 | Meters | 3,362 | 25 | 4.00% | 134 | 1,206 |
| 01-Sep-94 | Farm Pond Meter | 2,000 | 25 | 4.00% | 80 | 720 |
| 01-Sep-94 | Farm Pond Pumps | 4,000 | 20 | 5.00% | 200 | 1,800 |
| 01-Sep-94 | Farm Pond System | 750 | 45 | 2.22% | 17 | 153 |
| 01-Oct-94 | Pump 2 | 1,970 | 20 | 5.00% | 99 | 891 |
| 01-Dec-94 | Pump | 665 | 20 | 5.00% | 33 | 297 |
| 02-Dec-94 | Pump and Motor | 853 | 20 | 5.00% | 43 | 387 |
| 20-Dec-94 | Pump Houses | 1,176 | 40 | 2.50% | 29 | 261 |
| 20-Dec-94 | Chemical Feeders | 4,752 | 8 | 12.50% | 0 | 4,752 |
| 20-Dec-94 | 2 HP Pump | 1,007 | 20 | 5.00% | 50 | 450 |
| 20-Dec-94 | Utility Shed Crest | 1,817 | 25 | 4.00% | 73 | 657 |
| 15-Feb-95 | HP Pump | 810 | 20 | 5.00% | 41 | 328 |
| 27-Jul-95 | 14 Chemical Feeders | 1,401 | 8 | 12.50% | 175 | 1,401 |
| 27-Jul-95 | HP Pump | 1,046 | 20 | 5.00% | 52 | 416 |
| 31-Oct-95 | 6 Feeders | 1,251 | 8 | 12.50% | 156 | 1,251 |
| 23-Jan-96 | Meters | 864 | 25 | 4.00% | 35 | 245 |
| 31-Mar-96 | Various Pump | 6,877 | 20 | 5.00% | 344 | 2,408 |
| 01-Jan-97 | 2 Air Compressor | 502 | 12 | 8.33% | 42 | 252 |
| 15-Jan-97 | Piping | 1,629 | 45 | 2.22% | 36 | 216 |
| 18-Jun-97 | Pump & Motor | 3,713 | 20 | 5.00% | 186 | 1,116 |
| 25-Jun-97 | HP Pump & Motor | 675 | 20 | 5.00% | 34 | 204 |
| 23-Jul-97 | Pump & Motor | 717 | 20 | 5.00% | 36 | 216 |
| 20-Aug-97 | Meters | 912 | 25 | 4.00% | 36 | 216 |
| 01-Jun-98 | Water & Equipment | 2,127 | 32 | 3.13% | 67 | 335 |
| 01-Jun-98 | Water Utility Plant | 1,142,187 | 32 | 3.13% | 35,750 | 178,750 |
| 03-Jun-98 | Organizational Costs | 40,919 | 0 | 0 | 0 | 0 |
| 01-Sep-89 | 1989 Chevy | 15,000 | 6 | 16.67% | 0 | 15,000 |
| 19-Nov-96 | 89 Chevy Truck | 7,000 | 6 | 16.67% | 0 | 7,000 |
| 30-Jun-98 | Chevrolet Trucks | 18,710 | 6 | 16.67% | 3,119 | 15,595 |
| 30-Jun-98 | Chevrolet Trucks | 16,480 | 6 | 16.67% | 2,747 | 13,735 |
| 06-Jul-98 | Bed Liner for Truck | 1,050 | 10 | 10.00% | 105 | 525 |
| 08-Jul-98 | Tool Box for Truck | 1,407 | 10 | 10.00% | 141 | 705 |
| 22-Mar-00 | Vehicle | 21,732 | 6 | 16.67% | 3,623 | 10,869 |
| 01-May-00 | Vehicle | 21,684 | 6 | 16.67% | 3,615 | 10,845 |
| Total UTILITIES OF SOUTH CAROLINA | | 2,038,295 | | | 69,248 | 624,029 |

Utilities Services of South Carolina, Inc.
Plant Restatement & Plant Acquisition Adjustment
For the Test Year Ended December 31, 2004

| | | Note # 1: | | | | |
|---|-------------------------------|-----------|-------|--------|---------|--------------|
| Date | | Service | Depr. | Depr. | Accum. | |
| Acquired | Description | Amount | Life | Rate | Expense | Depreciation |
| | | \$ | years | % | \$ | \$ |
| <u>SOUTH CAROLINA WATER & SEWER</u> | | | | | | |
| 20-Dec-96 | Machinery & Equipment | 86,634 | 25 | 4.00% | 3,465 | 24,255 |
| 30-May-97 | 18 Ft Trailer | 1,785 | 6 | 16.67% | 298 | 1,785 |
| 30-May-97 | Ford Tractor Equip | 28,285 | 6 | 16.67% | 4,715 | 28,285 |
| 20-Dec-96 | Furn & Fixtures | 14,857 | 15 | 6.67% | 991 | 6,937 |
| 20-Dec-96 | Land & Land Rights | 225,526 | 0 | 0 | 0 | 0 |
| 20-Dec-96 | Organization & Startup Costs | 380,442 | 0 | 0 | 0 | 0 |
| 20-Dec-96 | Franchises | 2,221 | 40 | 2.50% | 56 | 392 |
| 20-Dec-96 | Structures & Improvements | 406,506 | 32 | 3.13% | 12,724 | 89,068 |
| 20-Dec-96 | Wells & Springs | 145,315 | 30 | 3.33% | 4,839 | 33,873 |
| 20-Dec-96 | Supply Mains | 234,819 | 35 | 2.86% | 6,716 | 47,012 |
| 20-Dec-96 | Pumping Equipment | 49,684 | 20 | 5.00% | 2,484 | 17,388 |
| 20-Dec-96 | Water Treatment Equipment | 106,722 | 22 | 4.55% | 4,856 | 33,992 |
| 20-Dec-96 | Dist. Reservoirs & Standpipes | 615,833 | 37 | 2.70% | 16,627 | 116,389 |
| 20-Dec-96 | Transmission & Dist. Mains | 840,400 | 43 | 2.33% | 19,581 | 137,067 |
| 20-Dec-96 | Services | 382,461 | 40 | 2.50% | 9,562 | 66,934 |
| 20-Dec-96 | Meter & Meter Install | 112,860 | 25 | 4.00% | 4,514 | 31,598 |
| 20-Dec-96 | Hydrants | 9,275 | 45 | 2.22% | 206 | 1,442 |
| 24-Feb-98 | Water Util Prop | 14,175 | 32 | 3.13% | 444 | 2,220 |
| 30-Sep-98 | Water Util Prop | 25,919 | 32 | 3.13% | 811 | 4,055 |
| 29-Dec-98 | Water Util Prop | 9,666 | 32 | 3.13% | 303 | 1,515 |
| 31-Mar-99 | Water Util Prop | 63,415 | 32 | 3.13% | 1,985 | 7,940 |
| 20-Dec-96 | 1995 Dodge Pickup | 15,425 | 6 | 16.67% | 0 | 15,425 |
| 20-Dec-96 | 1994 Dodge Pickup | 11,590 | 6 | 16.67% | 0 | 11,590 |
| 20-Dec-96 | 1995 Chev Pickup | 13,404 | 6 | 16.67% | 0 | 13,404 |
| 20-Dec-96 | 1990 Jeep Cherokee | 3,683 | 6 | 16.67% | 0 | 3,683 |
| 20-Dec-96 | 1991 Ford 1/2 & 3/4 Pickup | 93 | 6 | 16.67% | 0 | 93 |
| 20-Dec-96 | 1985 Ford E-700 | 283 | 6 | 16.67% | 0 | 283 |
| 17-Jun-97 | 1997 X-Cab #8553 | 18,751 | 6 | 16.67% | 3,126 | 18,751 |
| 17-Jun-97 | 1997 Worktruck #8518 | 16,012 | 6 | 16.67% | 2,669 | 16,012 |
| 17-Jun-97 | 1997 S-10 #6951 | 12,393 | 6 | 16.67% | 2,066 | 12,393 |
| 31-Mar-99 | 1995 Ford Explorer | 22,334 | 6 | 16.67% | 3,723 | 14,892 |
| Total SOUTH CAROLINA WATER & SEWER | | 3,870,768 | | | 106,761 | 758,673 |
| USSC Plant Through Acquisition as of 12/31/02 | | 6,118,383 | | | | |
| <u>Assets Not Included by ORS</u> | | | | | | |
| <u>UTILITIES OF SOUTH CAROLINA</u> | | | | | | |
| 03-Jun-98 | Organizational Costs | (40,919) | | | 0 | 0 |
| <u>SOUTH CAROLINA WATER & SEWER</u> | | | | | | |
| 20-Dec-96 | Organization & Startup Costs | (380,442) | | | 0 | 0 |
| ORS Plant Through Acquisition as of 12/31/02 | | 5,697,022 | | | 205,650 | 1,563,470 |

Utilities Services of South Carolina, Inc.
Plant Restatement & Plant Acquisition Adjustment
For the Test Year Ended December 31, 2004

| <u>Gross Plant Acquisition Adjustment - 2002</u> | ORS | USSC |
|--|-------------------------|-------------------------|
| | \$ | \$ |
| Plant through Acquisition (as restated) | 5,697,022 | 6,118,383 |
| A/D through Acquisition (as restated) | <u>(1,563,470)</u> | <u>(944,725)</u> |
| Net Plant at Acquisition (as restated) | <u><u>4,133,552</u></u> | <u><u>5,173,658</u></u> |
| | | |
| Purchase Price | 5,292,924 | 5,292,924 |
| Net Plant at Acquisition (as restated) | <u>(4,133,552)</u> | <u>(5,173,658)</u> |
| Plant Acquisition Adjustment (as restated) Note | <u><u>1,159,372</u></u> | <u><u>119,266</u></u> |
| | | |
| Plant Acquisition Adjustment (as restated) | 1,159,372 | 119,266 |
| Amortized @ 10% (10 years) | <u>10.00%</u> | <u>1.50%</u> |
| Amortization Expense | <u>115,937</u> | <u>1,789</u> |
| | | |
| Less: Per Book Amount | <u>(25,964)</u> | <u>(25,964)</u> |
| | | |
| Amortization Adjustment | <u><u>89,973</u></u> | <u><u>(24,175)</u></u> |

Note # 2: ORS does not propose to include the Plant Acquisition Adjustment in the Rate Base.

Utilities Services of South Carolina, Inc.
Plant in Service and Accumulated Depreciation - As Adjusted
Test Year Ended December 31, 2004

Restated Per ORS**Plant in Service**

\$

| | |
|--|------------------|
| Gross Plant in Service - Per Book (USSC) | 8,367,148 |
| Less: Organization Costs from Acquired Companies | (421,361) |
| Gross Plant In Service - Per ORS | 7,945,787 |
| Pro-Forma Additions (Vehicles Excluded) | 605,535 |
| Pro-Forma Vehicles | 79,655 |
| Excess Book Value | 963 |
| Work Orders Completed | 848,978 |
| Less: Pro Forma Retirements | (301,242) |
| Less: Extraordinary Retirement | (21,677) |
| Less: Elevated Storage Tank Removal | (75,053) |

Total Gross Plant in Service As Adjusted - Per ORS**9,082,946****Accumulated
Depreciation**

\$

| | |
|--|------------------|
| Acquisition Assets(Vehicles Excluded) | 1,581,280 |
| Asset Additions (Vehicles & Organization Costs Excluded) | 47,132 |
| Organization | 7,402 |
| Vehicles | 149,209 |
| Pro-Forma Additions (Vehicles Excluded) | 9,083 |
| Pro-Forma Vehicles | 19,914 |
| Excess Book Value | 37 |
| Work Orders Completed | 12,735 |
| Less: Pro Forma Retirements | (301,242) |
| Less: Accumulated Depreciation Assoc. w/Retirements | (506,692) |
| Accumulated Depreciation - As Adjusted (ORS) | 1,018,858 |
| Accumulated Depreciation - Per Book (USSC) | 719,490 |
| Adjustment to Increase Accumulated Depreciation | 299,368 |

REVISED EXHIBIT "E"
TO SETTLEMENT AGREEMENT
DOCKET NO. 2005-217-WS

UTILITIES SERVICES OF SOUTH CAROLINA, INC.

PROPOSED SCHEDULE OF RATES AND CHARGES

WATER

1. Monthly Charges
Residential

Basic Facilities Charge per single family
house, condominium, mobile home
or apartment unit:

\$14.39 per unit*

Commodity Charge:

\$3.91 per 1,000
gallons or 134 cft

*Residential customers with meters of 1" or larger
will be charged commercial rate

Commercial

Basic Facilities Charge
by meter size:

| | | |
|------|---|----------|
| 1" | ° | \$35.98 |
| 1.5" | ° | \$71.97 |
| 2" | ° | \$115.15 |
| 3" | ° | \$230.30 |
| 4" | ° | \$359.84 |

Commodity Charge:

\$3.91 per 1,000
gallons or 134 cft

Charges for Water Distribution Only

Where water is purchased from a government body or agency or other entity
for distribution and resale by the Company, the following rates apply:

Residential

Basic Facilities Charge per single family
house, condominium, mobile home
or apartment unit:

\$14.39 per unit*

Commodity charge:

\$2.24 per 1,000
gallons or 134 cft

*Residential customers with meters of 1" or larger
will be charged commercial rate

Commercial

Basic Facilities Charge
by meter size:

| | | |
|------|---|----------|
| 1" | ° | \$35.98 |
| 1.5" | ° | \$71.97 |
| 2" | ° | \$115.15 |
| 3" | ° | \$230.30 |
| 4" | ° | \$359.84 |

Commodity charge: \$2.24 per 1,000
gallons or 134 cft

The Utility will also charge for the cost of water purchased from the government body or agency, or other entity. The charges imposed or charged by the government body or agency, or other entity providing the water supply will be charged to the Utility's affected customers on a pro rata basis without markup. Where the Utility is required by regulatory authority with jurisdiction over the Utility to interconnect to the water supply system of a government body or agency or other entity and tap/connection/impact fees are imposed by that entity, such tap/connection/impact fees will also be charged to the Utility's affected customers on a pro rata basis, without markup. The Utility shall give the Commission thirty days notice of its intent to pass-through to customers purchased water charges which are higher than those in effect at the time of the Commission's approval of the within rate schedule. The Utility shall provide with such notice written documentation of an increase by the provider of purchased water justifying the increase in the amount of purchased water charges sought to be passed-through to affected customers. In the event that an increase in the amount of purchased water charges to be passed through to customers rate is found by the Commission to be so justified, USSC will then be required to give customers an additional thirty days notice before the increase in the purchased water charges to be passed through may be put into effect.

Commercial customers are those not included in the residential category above and include, but are not limited to hotels, stores, restaurants, offices, industry, etc.

The Utility will, for the convenience of the owner, bill a tenant in a multi-unit building, consisting of four or more residential units, which is served by a master water meter or a single water connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service

interruptions.

When, because of the method of water line installation utilized by the developer or owner, it is impractical to meter each unit separately, service will be provided through a single meter, and consumption of all units will be averaged; a bill will be calculated based on that average and the result multiplied by the number of units served by a single meter.

2. Nonrecurring Charges

| | |
|----------|----------------|
| Tap Fees | \$500 per SFE* |
|----------|----------------|

3. Account Set-Up and Reconnection Charges

a. Customer Account Charge - for new customers only.

| | |
|-----------|---------|
| All Areas | \$25.00 |
|-----------|---------|

b. Reconnection Charges: In addition to any other charges that may be due, a reconnection fee of thirty five dollars (\$35.00) shall be due prior to the Utility reconnecting service which has been disconnected for any reason set forth in Commission Rule R.103-732.5. Customers who ask to be reconnected within nine months of disconnection will be charged the monthly base facility charge for the service period they were disconnected. The reconnection fee shall also be due prior to reconnection if water service has been disconnected at the request of the customer.

4. Billing Cycle

Recurring charges will be billed monthly in arrears. Nonrecurring charges will be billed and collected in advance of service being provided.

5. Extension of Utility Service Lines and Mains

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to connect to its water system. However, anyone or any entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to any appropriate connection point, to pay the appropriate fees and charges set forth in this rate schedule, and comply with the guidelines and standards hereof, shall not be denied service, unless water supply is unavailable or unless the South Carolina Department of Health and Environmental Control or other government entity has restricted the Utility from adding for any reason additional customers to the serving water system. In no event will the Utility be required to construct additional water supply capacity to serve any customer or entity without an agreement acceptable to the Utility first having been reached for the payment of all costs associated with adding water supply capacity to the affected water system.

6. Cross Connection Inspection Fee

Any customer installing, permitting to be installed, or maintaining any cross connection between the Utility's water system and any other non-public water system, sewer or a line from any container of liquids or other substances, must install an approved back-flow prevention device in accordance with 24A S.C. Code Ann. Regs. R.61-58.7.F.2 (Supp. 2004), as may be amended from time to time. Such a customer shall annually have such cross connection inspected by a licensed certified tester and provide to Utility a copy of a written inspection report and testing results submitted by the certified tester in accordance with 24A S.C. Code Ann. Regs. R.61—58.7.F.8.(Supp. 2004), as may be amended from time to time. Said report and results must be provided by the customer to the Utility no later than June 30th of each year. Should a customer subject to these requirements fail to timely provide such report and results, Utility may arrange for inspection and testing by a licensed certified tester and add the charges incurred by the Utility in that regard to the customer's next bill.

- * A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Environmental Control Guidelines for Unit Contributory Loadings for Domestic Wastewater Treatment Facilities -- 25 S.C. Code Ann. Regs. 61-67 Appendix A (Supp. 2004), as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service and tap fee.

SEWER

1. Monthly Charges

Residential - charge per
single-family house, condominium,
villa, or apartment unit: \$41.39 per unit

Mobile Homes: \$29.74 per unit

Commercial: \$41.39 per SFE*

Commercial customers are those not included in the residential category above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc.

Charge for Sewer Collection Only

When sewage is collected by the Utility and transferred to a government body or agency, or other entity, for treatment, the Utility's rates are as follows:

Residential - per single-family house,
condominium,
or apartment unit \$26.64 per unit

Commercial - per single-family
equivalent \$26.64 per SFE*

The Utility will also charge for treatment services provided by the government body or agency, or other entity. The rates imposed or charged by the government body or agency, or other, entity providing treatment will be charged to the Utility's affected customers on a pro rata basis, without markup. Where the Utility is required under the terms of a 201/208 Plan, or by other regulatory authority with jurisdiction over the Utility, to interconnect to the sewage treatment system of a government body or agency or other entity and tap/connection/impact fees are imposed by that entity, such tap/connection/impact fees will be charged to the Utility's affected customers on a pro rata basis, without markup. The Utility shall give the Commission thirty days notice of its intent to pass-through to customers treatment charges which are higher than those in effect at the time of the Commission's approval of the within rate schedule. The Utility shall provide with such notice written documentation of an increase by the provider of treatment services justifying the increase in the amount of treatment charges sought to be passed-through to affected customers. In the event that an increase in the amount of treatment charges to be passed through to customers rate is found by the Commission to be so justified, USSC will then be required to give customers

an additional thirty days notice before the increase in the treatment charges to be passed through may be put into effect.

The Utility will, for the convenience of the owner, bill a tenant in a multi-unit building, consisting of four or more residential units, which is served by a master sewer meter or a single sewer connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.

Solids Interceptor Tanks

For all customers receiving sewage collection service through an approved solids interceptor tank, the following additional charges shall apply:

A. Pumping Charge

At such time as the Utility determines through its inspection that excessive solids have accumulated in the interceptor tank, the Utility will arrange for pumping the tank and will include \$150.00 as a separate item in the next regular billing to the customer.

B. Pump Repair or Replacement Charge

If a separate pump is required to transport the customer's sewage from solids interceptor tank to the Utility's sewage collection system, the Utility will arrange to have this pump repaired or replaced as required and will include the cost of such repair or replacement and may be paid for over a one year period.

C. Visual Inspection Port

In order for a customer who uses a solids interceptor tank to receive sewage service from the Utility or to continue to receive such service, the customer shall install at the customer's expense a visual inspection port which will allow for observation of the contents of the solids interceptor tank and extraction of test samples therefrom. Failure to provide such a visual inspection port after timely notice of not less than thirty (30) days shall be just cause for interruption of service until a visual inspection port has been installed.

2. Nonrecurring Charges

| | |
|---------|----------------|
| Tap Fee | \$500 per SFE* |
|---------|----------------|

The nonrecurring charges listed above are minimum charges and apply even if the equivalency rating of a non residential customer is less than one (1). If the equivalency rating of a non residential customer is greater than one (1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply and are due at the time new service is applied for, or at the time connection to the sewer system is requested.

3. Notification, Account Set-Up and Reconnection Charges

a. Notification Fee

A fee of six dollars (\$6.00) shall be charged each customer to whom the Utility mails the notice as required by Commission Rule R. 103-535.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating the cost.

b. Customer Account Charge - for new customers only.

| | |
|-----------|---------|
| All Areas | \$25.00 |
|-----------|---------|

A one-time fee to defray the costs of initiating service. This charge will be waived if the customer also takes water service.

c. Reconnection Charges: In addition to any other charges that may be due, a reconnection fee of two hundred fifty dollars (\$250.00) shall be due prior to the Utility reconnecting service which has been disconnected for any reason set forth in Commission Rule R.103-532.4. Where an elder valve has been previously installed, a reconnection charge of thirty-five dollars (\$35.00) shall be due. Customers who ask to be reconnected within nine months of disconnection will be charged the monthly service charge for the service period they were disconnected.

4. Billing Cycle

Recurring charges will be billed monthly, in arrears. Nonrecurring charges will be billed and collected in advance of service being provided.

5. Toxic and Pretreatment Effluent Guidelines

The Utility will not accept or treat any substance or material that has been defined by the United States Environmental Protection Agency ("EPA") or the South Carolina Department of Environmental Control ("DHEC") as a toxic pollutant, hazardous waste, or hazardous substance, including pollutants falling within the provisions of 40 CFR 129.4 and 401.15. Additionally, pollutants or pollutant properties subject to 40 CFR 403.5 and 403.6 are to be processed according to the pretreatment standards applicable to such pollutants or pollutant properties, and such standards constitute the Utility's minimum pretreatment standards. Any person or entity introducing any such prohibited or untreated materials into the Company's sewer system may have service interrupted without notice until such discharges cease, and shall be liable to the Utility for all damages and costs, including reasonable attorney's fees, incurred by the Utility as a result thereof.

6. Extension of Utility Service Lines and Mains

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to discharge acceptable

wastewater into one of its sewer systems. However, anyone or any entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to an appropriate connection point, to pay the appropriate fees and charges set forth in this rate schedule and to comply with the guidelines and standards hereof, shall not be denied service, unless treatment capacity is unavailable or unless the South Carolina Department of Health and Environmental Control or other government entity has restricted the Utility from adding for any reason additional customers to the serving sewer system.

In no event will the Utility be required to construct additional wastewater treatment capacity to serve any customer or entity without an agreement acceptable to the Utility first having been reached for the payment of all costs associated with adding wastewater treatment capacity to the affected sewer system.

*A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Environmental Control Guidelines for Unit Contributory Loading for Domestic Wastewater Treatment Facilities --25 S.C. Code Ann. Regs. 61-67 Appendix A (Supp. 2004), as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service and tap fee.